

Congress of the United States
joint economic committee
minority

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How Does a Family of 4 Live on \$40,000 a Year?
Meet David and Lisa

Dear Colleague:

We all have been hearing the good news about the US economy recently – unemployment is down, inflation is low, and wages are rising once again. But how has all this good news affected individual American families? Economic statistics tell us that as a nation, we are doing well, yet we know that many individuals are still waiting for economic prosperity to come knocking at their door.

In order to deepen our appreciation for how recent nation-wide economic trends affect individuals, my staff has developed a fictional family based on actual statistics. By learning about their economic situation – including how they cope with their day-to-day challenges – we will gain a deeper understanding of what is really happening in our economy. You’ve most likely heard of “The Real World,” “Survivor” and “Big Brother,” well this is our version of “reality economics.”

I would like to introduce you to **David and Lisa**, and their two teenagers, **Austin** and **Emily**.

David and Lisa, and their 2 children live in Bedford Falls, a medium size Midwestern suburb. David fixes and services heating and A/C equipment, and Lisa is an occupational therapy aid. David earns \$30,000 a year and Lisa earns \$24,000 a year, before taxes. Their combined monthly take-home pay is \$3,307.32. The following are some details of their economic situation:

They live in their own house, for which they are paying a mortgage.

Austin is 17 and Emily is 15. Austin just graduated high school and Emily has 2 more years to go. David and Lisa are anxious about how they will afford college for their kids.

They have 2 cars – one 3 years old and the other 8 years old.

David's parents are both in their 70s, have health problems and increasingly need assistance taking care of themselves.

David and Lisa have approximately \$12,000 in savings and \$4,500 in credit card debt, which they incurred last year when Emily needed braces and they bought a computer.

How representative are David and Lisa? Well, consider this:

- In 1998, half of all American families had an income of **\$47,469 or less**, and half of all families with both spouses present had an income of **54,276 or less**.
- In 1998, half of all full-time working women earned less than \$25,862, and half of all full-time working men earned \$35,345.

Over the next few weeks we will explore in detail the financial challenges facing David and Lisa and most of American families. Subsequent letters will look at the cost of college, health care for David's elderly parents, the rising cost of gasoline, and changes in interest rates.

As you will see over the coming weeks, David and Lisa, like most American families, are currently doing better than they did in the past, but they are still living very close to the edge. An unforeseen expense – such as an illness or a major car repair – could easily put David and Lisa into debt. Needless to say, if either of them lost their job, the family would face severe financial hardship.

I invite you to visit our website, www.house.gov/jec_democrats/ to learn more about this project, including sources for all the data and calculations used.

Sincerely,

Pete Stark, MC
Ranking Member